

MINUTES OF THE
CITY OF SANTA FE
FINANCE COMMITTEE MEETING

And
STUDY SESSION
Santa Fe, New Mexico
August 4, 2003

STUDY SESSION

A study session of the City of Santa Fe Finance Committee commenced on this date at approximately 4:15 p.m. in City Hall Council Chambers. A quorum of the Governing Body was present, as follows:

Committee Members Present:

Councilor Miguel M. Chavez, Acting Chair
Councilor Karen Heldmeyer
Councilor Rebecca Wurzbarger

Committee Members Excused:

Councilor Carol Robertson Lopez, Chair
Councilor Matthew E. Ortiz

Other Governing Body Members Present:

Councilor David Coss
Councilor David Pfeffer

Staff Present:

Ms. Kathryn Raveling, Finance & Budget Division
Ms. Terrie Medina, Finance & Budget Division

IMPACT FEES PRESENTATION (Cont'd)

Planning Division director Reed Liming stated that staff prepared a very brief memorandum based on some issues staff heard brought up at the last study session, and reviewed them as follows:

1) Exempting units on lots platted prior to April 1, 1991. The City currently does not charge for building permits on lots subdivided prior to that date. A couple of Councilors suggested, as an option, that all new units on lots platted prior to April 1, 1991, be required to pay new impact fees.

2) There was some discussion about phasing in the fees rather than just adopting the new fee schedule. Staff suggested a couple of options: a) Do 75% of the new fees through the end of this year; and as of January 1, 2004, do 100% of the new fee. b) Keep the current fees through the end of this year, and not have a new fee schedule kick in until January 1, 2004.

Addressing item 2, Mr. Liming said staff is concerned that, if the City goes below about 65% in phasing in the new fees, some commercial developments would actually pay less in impact fees than they are currently paying.

3) Medical Office land use category. Its fees would go up by more than tenfold over its current impact fees. An option was simply to remove that land use category from the fee schedule, and then medical offices would come in under the General Office category.

Clancy Mullen of the consulting firm Duncan Associates (Austin, TX) was present to respond to questions.

Councilor Heldmeyer said she and other Councilors feel that the 1991 cutoff is an artificial cutoff; that if new buildings are coming in, they are creating demand in all of the categories. She said the whole point of impact fees is to ensure that new growth helps to pay for itself. She said perhaps the cutoff should be eliminated.

Councilor Heldmeyer said she was confused as to why there was so much controversy about the Medical Office category of fees. She recalled that, about two years ago, the City was approached by a number of office building owners and developers in the HZ area and asked to change the zoning to allow all kinds of offices in the HZ and not just medical offices, because there was a glut of medical offices. She said she assumed the situation remained unchanged and so would not result in a rush of medical office buildings, and so questioned why this particular category has been pulled out.

Councilor Heldmeyer pointed out that the numbers were based on traffic generation data, on which the City bases a number of other things in its code, including the amount of parking that offices are supposed to provide. She said the bottom line is that growth should help pay for itself, and the operative word is "help," because it will not pick up all of the costs that would be generated.

Councilor Heldmeyer asked staff to discuss the idea of doing a different “stepping” of the fees. She noted that houses at the lower end, including houses in the 2,000 square foot area, would have a \$9,000 hit — which she thought very high for that level of home in Santa Fe. She recalled discussion at the last study session about whether there might be a mechanism for changing the existing curve so that a 2,000 square foot house, although not defined by the City as “affordable,” could experience some relief by shifting the burden of the taxes disproportionately, if necessary.

Clancy Mullen, consultant with Duncan Associates, responded, “The answer is that we’ve done about all we can in that respect. We have developed variable fee schedules that reflect the impact as well as we can determine it based on available information.”

Councilor Wurzbarger asked if the City could offer further exemptions and then pick up the difference, and Mr. Mullen explained that, while the City has the option for affordable housing, the State Act defines what affordable housing is, and that is basically the definition of 80% of median income. He said housing that meets that criterion is already waived or reduced under the City’s ordinance.

Councilor Wurzbarger said her concern was that the \$9,000 in fees for a 2,000 square foot house could price such a house out of the market for people who could otherwise afford it.

Councilor Chavez remarked that he was not sure how many people might fit into that market segment. He pointed out, though, that the City has the option of phasing in the impact fees, which would offer relief. He also pointed out that people considering the purchase of a 2,000 square foot home would probably not be first time homebuyers.

Councilor Wurzbarger said these people could also be “in between” — because they don’t qualify for the City’s affordable housing program, they can’t afford the house.

Councilor Heldmeyer asked Mr. Liming if the City could redefine “affordability” for the purposes of this ordinance, and Mr. Liming responded that he could not speak for the City Attorney, but noted that the State Development Fees Act has a definition of what constitutes affordable housing, which is consistent with the 80%/median income definition.

Mr. Liming went on to state that, if the Councilors are considering starting off with a percentage of the fee schedule, staff would strongly urge that it be done across the board for all land use categories.

Councilor Wurzbarger asked if staff anticipates doing an evaluation of the impact of this fee on affordability, and Mr. Liming responded that, other than what staff prepared in detailing the increase on a 2,000 square foot house, “I think the assumption can be that the impact fee will be passed through to the price of the house in total.”

Councilor Wurzbarger indicated that she would meet with staff prior to the Council meeting to determine how the impact might be measured, which could then be tied into when the fees would go up.

Councilor Chavez suggested looking at trends — for the last 10-12 years, 75% of the people living in Santa Fe have not been able to afford to buy a house. He added, “I don’t know if raising impact fees is going to make it that much worse or that much better, because I think in the long run if we don’t, then we’re still stuck between a rock and a hard place, and how do we continue to provide services?”

Councilor Wurzbarger replied that the question remains: “It’s not whether we do it, but can we do it in a way that’s sufficiently sensitive so that perhaps we won’t interfere with people who are at that margin, which I do know exists, that impacts their ability to afford a home.”

Councilor Coss asked Mr. Liming what the impact on revenues would be over the next ten years if the Council raised the fees only 75% instead of 100%.

Mr. Liming responded that this was difficult to determine. He said staff was suggesting that the fee would be phased in over the first year — that the Council adopt the ordinance with everything being charged 75% as of the effective date of the ordinance, or else perhaps leaving the current fees in place through December 2003, then doing 75% of the fee schedule for all of 2004, then adding the remaining 25% as of January 2005.

Mr. Liming added that overall revenues would not jump with the adoption of the ordinance, since subdivisions approved in the last four years would keep the current impact fee schedule for four years out from their final approval date.

Councilor Coss observed that the current fee schedule presented by staff includes \$2,900 for the toilet retrofit program. He commented, “That’s almost a wash. If that was gone, then the increase in impact fees wouldn’t be that much, so maybe if we’re looking towards getting our diversion from the Rio Grande and bringing our water supply up to where it needs to be, that cost is going to phase out just as these impact fee costs start to phase in.”

Councilor Wurzbarger and Councilor Chavez remarked that Councilor Coss had raised a good point.

Councilor Pfeffer noted that the folks hit first by this ordinance would have either older lots or be individual lot owners. He said it sounded inequitable.

Mr. Liming responded that, "I have a feeling that's why, when we adopted the original impact fees, we just said folks before that date will not pay impact fees. But the way the State law reads, you have four years from the date your subdivision was created under the fees in place at the time that the lot or subdivision was created. So, yes, the older lots will pay the higher fees, as will the new lots that come in with subdivisions after the adoption of this fee schedule."

Responding to questioning from Councilor Wurzbarger, Mr. Liming provided details on the number of lots created since prior to 1991:

Prior to 1991:	264 vacant lots.
1991-1999:	570-580 lots.
Since 1999:	900 units.

Councilor Heldmeyer asked Mr. Liming if there has been any attempt in the last couple of years to modify the definition of affordability in State law.

Mr. Liming responded that the State Act was passed in 1993, and the definition of affordability came in about three years ago. He noted that Sen. Cisco McSorley has introduced the idea of getting public libraries and schools into the Development Fees Act, but that died in committee in the last session.

Councilor Heldmeyer suggested that the time has come for the Legislature to revisit that along the lines that Councilor Wurzbarger has discussed.

In discussion on phasing options, Mr. Liming said another option of phasing is adopt the ordinance and have the new fee schedule take effect on January 1, 2004, at 75%, which would last for one year; and as of January 1, 2005, 100% of the new fees would take effect.

Councilor Wurzbarger asked Mr. Liming if it was possible to determine what percentage of the 570-580 lots created between 1991 and 1999 resulted in homes of 2,000 square feet and below.

Mr. Liming responded that he had not done that research. He noted that the monthly permit reports do not include square footage of homes. He commented that Tierra Contenta can make up 30-35% of new housing permits in a given year, but determining the square footage of heated living area, etc., at 2,000 square feet and below might not be possible.

Councilor Chavez asked that staff also determine how many of those permits were for Type A single-family units at or less than 2,000 square feet.

Councilor Wurzburger commented that the revenue projections done in each fee category would have to be based on some assessment of how many houses were involved, and what type, and Mr. Mullen responded that the projections he did were more of a ballpark comparison of how much revenues could be expected to go up in the long term over the current fees.

Councilor Wurzburger said she would like to have the requested information before the Council meeting.

[Study Session concluded at 5:00 p.m.]

REGULAR MEETING

A regular meeting of the City of Santa Fe Finance Committee was called to order on this date at approximately 5:15 p.m. in City Hall Council Chambers. Roll Call indicated the presence of a quorum, as follows:

Members Present:

Councilor Carol Robertson Lopez, Chair
Councilor Miguel M. Chavez
Councilor Karen Heldmeyer
Councilor Rebecca Wurzburger

Members Excused:

Councilor Matthew E. Ortiz

Other Governing Body Members Present:

None.

Staff Present:

Ms. Kathryn Raveling, Finance & Budget Division
Ms. Terrie Medina, Finance & Budget Division

APPROVAL OF AGENDA

Responding to questioning from Chair Lopez, Ms. Raveling explained that Item 13 (2003 CIP Bond Requests/Public Comment) is scheduled to go back to the Public Works Committee after today's review, and she assumed it would come back to the Finance Committee after that.

Councilor Heldmeyer said that was correct, and that the package is currently in draft form.

Chair Lopez stated that she would like this matter postponed to the next Finance Committee meeting because she was working on getting additional information.

Councilor Heldmeyer suggested that the item stay on the agenda, but only so Committee members with questions could raise them now, and then staff could answer them in time for the Public Works Committee meeting.

Chair Lopez stated that she was not a member of the Public Works Committee, nor was Councilor Ortiz, and both of them were representatives of District 4. She said she did not want to go to that meeting and offer amendments from the floor; and for that reason, she would like the entire process postponed to the next Finance Committee meeting so amendments could be offered at that time.

Councilor Wurzburger spoke in favor of postponing. She indicated that she was not a member of the Public Works Committee, either, and since she only received the list on Friday, she has not had a chance to review it. She observed that the list does not include numbers and assumptions, so work has to be done before the Finance Committee members know what to ask.

Councilor Wurzburger moved approval of the Agenda, with an amendment to table Item 13 to the next meeting. Councilor Heldmeyer seconded the motion, which passed after Councilor Wurzburger and Councilor Heldmeyer voted in favor, and Councilor Chavez voted against. [Note: Councilor Heldmeyer seconded the motion and voted in favor after initially declining to second the motion.]

APPROVAL OF CONSENT AGENDA

Upon motion by Councilor Wurzburger, seconded by Councilor Heldmeyer, the following Consent Agenda, as amended, was approved 3-0 by voice vote:

6. Bid Openings:

- a) Bid No. 03/65/B — Public Restrooms for Parks & Recreation;
Medina Pre Cast & Portable Toilet Service.
- b) Bid No. 03/43/B — Citywide Water Utility Construction & Repair;
K.R. Swerdfeger Construction, Inc.
 - 1. Request for Approval of Budget Adjustment — Water Enterprise Fund.
- c) [Moved to Discussion Agenda by Councilor Heldmeyer.]

- d) Bid No. 04/02/B — One (1) Pre-owned CNG Sedan for Transit Division — Perfection Honda.
- 7. [Moved to Discussion Agenda by Councilor Heldmeyer.]
- 8. Request for Approval of Procurement Under State Price Agreement — One (1) Backhoe Loader for Water Division; Tom Growney Equipment.
- 9. [Moved to Discussion Agenda by Councilor Wurzburger.]
- 10. [Moved to Discussion Agenda by Councilor Wurzburger.]
- 11. Request for Approval of Professional Services Agreement — Advertising or Sponsorship Sales for MRC Golf Course and Sports Fields (RFP No. 2003/25/P); Promotion Dynamics International.
- 12. Request for Approval of Amendment — Investment Policy.

DISCUSSION

Bid Openings:

Bid No. 04/01/B — Four (4) Rear Load Refuse Trucks for Solid Waste Division; Clark Truck and Equipment.

Councilor Heldmeyer noted that there were two bids on this item with almost exactly identical figures if local preference was applied. She noted that the award was being recommended to Clark Truck Equipment in Albuquerque because the low bidder, McNeilus Truck of Texas, did not meet specifications. She asked for details.

Solid Waste Division interim director Richard Mares responded that McNeilus identified a local service rep whose business is now closed and the phone number disconnected.

Councilor Heldmeyer moved for approval. Councilor Wurzburger seconded the motion, which passed 2-0 by voice vote. [Councilor Chavez was not present during this action.]

**Request for Approval of Emergency Procurement — Pre-owned
Automated Refuse Collection Vehicle; Mabbar/Impac Sales.**

Councilor Heldmeyer commented that, if the City will need three trucks for every automated truck it has — which was sort of what was implied here — she thought the City should revisit the cost benefit analysis of this. She said the City has a truck and a backup truck, and both of them break down fairly consistently, at least on Wednesdays, when District 2 is served and she gets the most calls. She commented that perhaps automated service is not the cost saver people think it is.

Solid Waste Division interim director Richard Mares responded that the automated program is in fact high maintenance. He stated that the City is using the two units it has on a daily basis. He added that the City of Albuquerque has stated that their program is high maintenance as well. He said Solid Waste feels that the high maintenance issues are outweighed by reduced Worker's Comp claims because of fewer injuries, among the other obvious benefits of the automated program, including neater neighborhoods, refuse kept in containers versus being exposed to elements, etc.

Councilor Heldmeyer pointed out that the Council was sold the program on the basis that it was a money saver, but that hasn't happened yet, because there has been no reduction in personnel and the City is "having to buy three trucks for every truck we have."

Public Works director Mike Lujan stated that the Solid Waste Equipment manager received a fax today from Clark Truck Equipment in Albuquerque, one of the City's factory reps, "and it's very clear in their discussion with the municipalities that while automation is high maintenance, it is the way municipalities are going." He noted that 95% of Albuquerque is now fully automated, as is Las Cruces.

Mr. Lujan went on to say that, while the automated systems are more complex because there are more moving parts, the savings are more in the area of labor costs and Worker's Comp claims. He added that the City will not realize a major savings until it is entirely automated.

Mr. Lujan said the City of Albuquerque has 50 routes, but would not reveal how many trucks they have. He stated that they have indicated that their system is high maintenance.

Chair Lopez recommended that the mechanics receive further training, and Mr. Lujan said he would see to that.

Chair Lopez asked for a cost benefit analysis. She commented that perhaps the City should invest in more parts to keep extras in stock.

Chair Lopez recalled three occasions when automated pickups were not made as scheduled in her district. She asked staff to determine how many times only partial routes were accomplished in the past year in the City. She commented, "Before we throw out the baby with the bathwater, let's see how bad it is."

Councilor Heldmeyer asked staff to also find out what days there was only partial service.

Councilor Heldmeyer moved for approval with the provisos that the information requested is presented. Councilor Wurzburger seconded the motion, which passed 3-0 by voice vote.

**Request for Approval of Change Order No. 2 to Contract —
Botulph Road Improvements; A.S. Horner, Inc.**

**A. Request for Approval of Easement Grant and Trail
Maintenance Agreement; the Board of Education of the
Santa Fe Public Schools.**

**B. Request for Approval of Budget Increase/Transfers —
Project Funds.**

Councilor Wurzburger said she is regularly concerned that the City keeps adding change orders. She asked how the City determines that a change order is cheaper because the contractor is already on site, and is there a mechanism for ensuring that the City is being treated fairly in those situations.

Engineering director Robert Romero responded that the State Highway Department has averaging of bid prices, which the City uses. He said these are pretty consistent with the bids the City receives. He stated that, in this case, the original price from A.S. Horner was \$230,000, so staff negotiated with them to bring them down to what the City thought was fair based on statewide averaging of bid prices.

Councilor Wurzburger moved for approval. Councilor Heldmeyer seconded the motion, which passed 3-0 by voice vote.

**Request for Approval of Professional Services Agreement —
Unaccounted Water Audit for Water Division (RFP No. 2003/23/P);
GOFF Water Audit and Engineering.**

**A. Request for Approval of Budget Transfer — Water Enterprise
Fund.**

Councilor Wurzbarger asked City Water Division engineer Robert Jorgensen to discuss the price differences in the bids.

Mr. Jorgensen responded that there were two proposals submitted for the water audit. He said the second bidder submitted a price of about \$100,000, almost double that of GOFF.

Responding to questioning from the Chair, Ms. Raveling stated that staff's report erroneously stated that there were three proposals, but there were only two.

Chair Lopez noted that the City hired someone in the past whose job was to check all of the water lines and determine the percentage of loss. She asked how that work could have been done without the City not knowing its water production numbers.

Mr. Jorgensen responded that the previous study was a sonic leak detection, which involved walking along all of the water mains and listening for leak sounds and then pinpointing them. He said Water Division crews then would go to the site, dig it up, and make repairs.

Chair Lopez said her concern was that the Council was told that there was a certain percentage of water unaccounted for, but questioned how that could be determined if the City didn't know how much it had to start with.

Mr. Jorgensen explained that the leak detection people came up with an estimated number — so many million gallons a year of leakage through both the City's system and then on the customers' side based on their leak survey. He stated that no audit of production records, billing or meter accuracy was conducted.

Chair Lopez questioned how accurate the monthly report made to the PUC and Council was, then, which lists the amount of water pumped out of each well.

Mr. Jorgensen responded that those figures are based on metered records. He said the requested audit will statistically test some of the City's production

meters to determine their accuracy, and will also look at records for consumer meters and test that accuracy as well. He said water loss will be put into categories as a result of the audit.

Chair Lopez asked that the draft report, once available, receive a committee review through the Public Utilities Committee, for example. She said she did not want it to go to the Water Company and then directly to the City Council without committee review.

Councilor Wurzburger moved for approval. Councilor Heldmeyer seconded the motion, which passed 3-0 by voice vote.

ADJOURN

Its business completed, the Committee adjourned the meeting at approximately 5:50 p.m.

Accepted by:

Councilor Carol Robertson Lopez, Chair

Reviewed by:

Kathryn Raveling, Finance Director

Submitted by:

Judith S. Beatty, Recorder